

DEBT SERVICE

Debt Service Overview

Debt Ratios

Debt Service Amortization Schedules

Capital Lease Amortization Schedules

Debt Service Overview

As part of the annual budget process, the City Council adopts a comprehensive set of Financial Policies. These policies serve to establish and document a policy framework for fiscal decision-making and to strengthen the financial management of the City. One of these policies specifically addresses Debt Service, and incorporates two subcomponents. First, debt service targets have been identified for the following: annual debt service expenditures shall be less than nine percent of annual expenditures and outstanding debt shall be less than three percent of assessed valuation. Second, the term of any bond issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

The City of Fairfax must adhere to debt limitations as outlined by the Virginia State Constitution, which notes the City may not issue bonds in excess of 10% of assessed valuation. Per the City's FY 2011 Comprehensive Annual Financial Report (CAFR), approximately \$172 million of outstanding debt is applicable to the limit of 10% of assessed value (approximately \$508 million). Thus, the City's total net debt applicable to the limit as a percentage of debt limit is 33.8%.

The City consults with its financial advisors and bond counsel to explore the most cost effective financing options for all debt issuances. This adherence to prudent fiscal management has allowed the City to make several long term infrastructure improvements for its residents. The City currently receives the highest bond ratings from two of the national bond rating organizations - Standard & Poor's and Moody's Investors Service.

Standard and Poor's Rating Services rated the City AAA, the highest credit rating attainable, citing "...a city economic base that has remained strong throughout the current recession; the city's demonstrated ability to manage its budget effectively translating to a history of strong reserves...strong financial performance and position, aided by financial and debt policies and conservative management..." Of the 39 cities in Virginia, only four currently carry AAA ratings: the cities of Alexandria, Charlottesville, Virginia Beach, and the City of Fairfax. In addition, Moody's has affirmed the Aaa rating for the City, that the City's underlying General Obligation credit is the highest possible. Per Moody's this rating reflects "a favorably-located tax base experiencing recessionary value declines, above-average wealth indices, stable financial operations with satisfactory reserves and a favorable debt profile."

FY 2013 Adopted Budget – City of Fairfax, Virginia

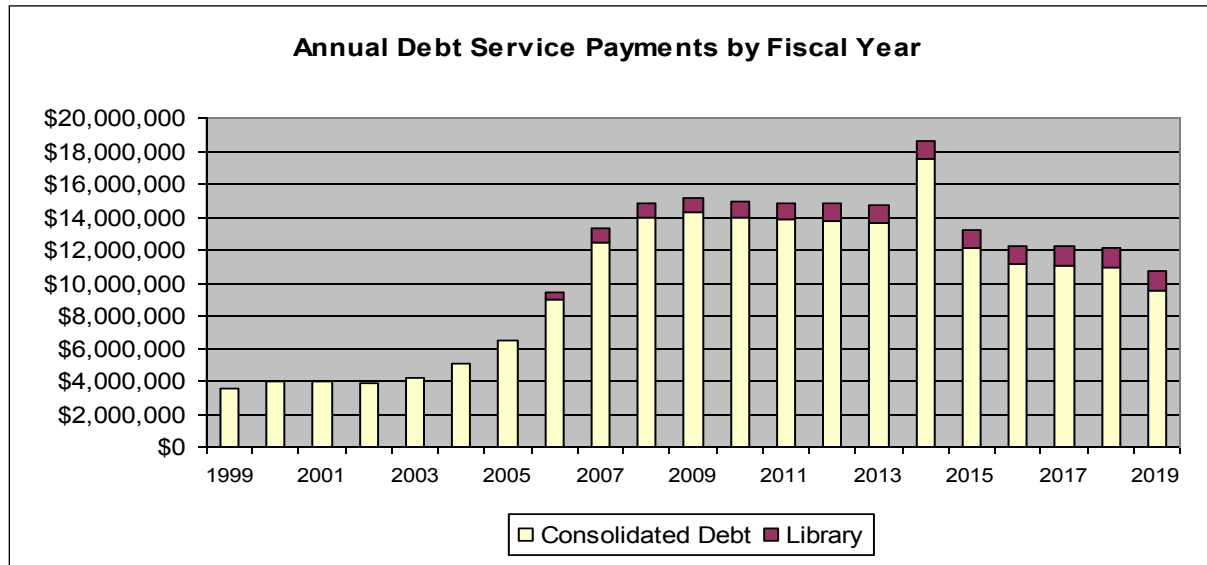
In FY 2013, the City will continue to monitor credit market conditions to determine whether or not to refinance some of its existing debt for debt service savings. It is anticipated that some refinancing will take place during the fiscal year. Persistently favorable credit market conditions will allow the city to refinance a number of its existing debt to achieve a debt service savings in the future. Options for refinancing are currently under consideration.

The City is currently repaying bonds for projects to improve City schools, streets, municipal properties, undergrounding utilities, constructing a library, purchasing and developing open space, storm drainage, synthetic turf, ball field development, Blenheim property improvements, George Mason Square and the acquisition of the Eleven Oaks property. The following chart provides a summary highlight of total debt service and capital lease payments due for the general fund. Debt service for the Water and Wastewater fund is noted in the enterprise funds.

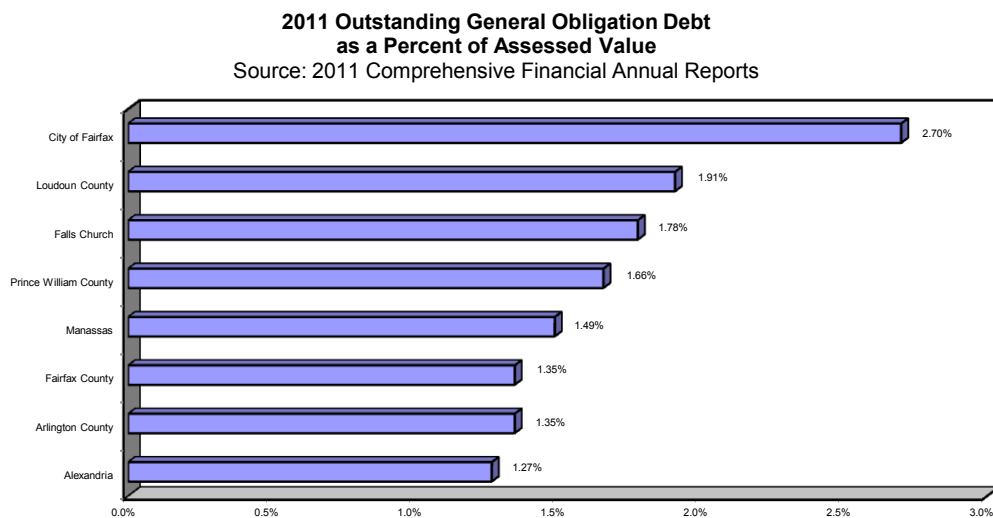
Category	FY 2012 Budget	FY 2013 Adopted
General Obligation (GO)		
General Government	\$1,619,801	\$1,614,299
Schools	<u>7,058,082</u>	<u>6,988,575</u>
Total General Obligation	\$8,677,883	\$8,602,874
Capital Lease		
General Government	\$5,354,635	\$5,280,733
Schools	<u>616,121</u>	<u>710,689</u>
Total Capital Lease	\$5,970,756	\$5,991,422
Total Payments	\$14,648,639	\$14,594,296

FY 2013 Adopted Budget – City of Fairfax, Virginia

The following chart provides a historical review of past and projected debt service and capital lease payments by fiscal year. The spike in the FY 2014 debt service reflects the scheduled payoff of the Eleven Oaks property financing (\$4.2 million). It is anticipated that the property will be sold and the debt satisfied prior to its FY 2014 maturity date. Payments toward the City library are reimbursed per an agreement with Fairfax County.



The City's outstanding debt as a percent of assessed value has increased when compared to surrounding jurisdictions. This is due in large part to the financing of various projects cited earlier.



FY 2013 Adopted Budget – City of Fairfax, Virginia

Debt Ratios							
CY	Net Bonded Debt (1)	Population	Assessed Value	Debt Per Capita	% of Debt to Assessed Value (2)	Direct Debt Service	Debt Service as % Gen. Fund Expen.
2001	27,145,000	22,065	2,846,322,856	1,230	0.95%	3,394,091	5.09%
2002	25,180,000	22,082	2,891,958,425	1,140	0.87%	3,279,876	4.37%
2003	43,004,995	22,251	3,104,766,831	1,933	1.39%	3,918,709	5.20%
2004	40,755,000	23,113	3,852,108,402	1,763	1.06%	4,441,388	5.43%
2005	38,390,418	22,030	4,445,241,300	1,743	0.86%	4,093,000	4.58%
2006	77,882,596	22,850	5,443,890,600	3,408	1.43%	6,385,700	6.52%
2007	119,124,230	23,349	5,608,301,700	5,102	2.12%	9,271,124	9.25%
2008	114,767,655	23,844	5,637,792,000	4,813	2.04%	9,644,801	8.97%
2009	110,300,000	23,952	5,359,097,100	4,605	2.06%	9,568,519	8.70%
2010	106,490,000	23,952	5,359,610,100	4,754	1.99%	8,778,887	7.93%
2011	102,605,000	23,200	4,972,880,538	4,423	2.06%	8,578,460	7.82%
2012	98,545,000	22,565	5,093,200,975	4,367	1.93%	8,517,882	7.34%
2013	94,415,000	22,671	5,221,856,263	4,165	1.81%	8,442,874	7.00%

(1) Excludes debt of self-supporting projects and non-bonded debt financing.

(2) State Limit is 10.0% of real estate assessed value which equates to \$522,185,636.

Per City Debt Policy, Outstanding Debt shall be less than 3% of Assessed Value (\$156,655,688).

GENERAL FUND GENERAL OBLIGATION DEBT SERVICE
CONSOLIDATED DEBT SERVICE REQUIREMENTS

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2013	\$4,130,000	\$4,312,874	\$8,442,874
2014	4,230,000	4,146,343	8,376,343
2015	4,355,000	3,962,686	8,317,686
2016	4,510,000	3,723,774	8,233,774
2017	4,640,000	3,549,211	8,189,211
2018	4,730,000	3,394,711	8,124,711
2019	3,520,000	3,234,224	6,754,224
2020	3,635,000	3,120,924	6,755,924
2021	3,810,000	2,946,680	6,756,680
2022	3,965,000	2,790,250	6,755,250
2023	4,125,000	2,625,725	6,750,725
2024	2,815,000	2,463,350	5,278,350
2025	2,955,000	2,329,694	5,284,694
2026	3,095,000	2,190,694	5,285,694
2027	3,235,000	2,042,269	5,277,269
2028	3,490,000	1,925,588	5,415,588
2029	3,655,000	1,755,499	5,410,499
2030	3,835,000	1,577,363	5,412,363
2031	4,020,000	1,390,450	5,410,450
2032	4,215,000	1,201,994	5,416,994
2033	4,410,000	1,004,394	5,414,394
2034	4,615,000	797,650	5,412,650
2035	4,830,000	584,150	5,414,150
2036	5,050,000	360,700	5,410,700
2037	<u>2,675,000</u>	<u>127,063</u>	<u>2,802,063</u>
Total	\$98,545,000	\$57,558,256	\$156,103,256

Note – This schedule consolidates the debt issuances found on pages J-7 through J-12.

2005 GENERAL OBLIGATION REFUNDING BONDS
(1998 SCHOOL BONDS)

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2013	\$1,295,000	\$388,500	\$1,683,500
2014	1,295,000	323,750	1,618,750
2015	1,295,000	259,000	1,554,000
2016	1,295,000	194,250	1,489,250
2017	1,295,000	129,500	1,424,500
2018	<u>1,295,000</u>	<u>64,750</u>	<u>1,359,750</u>
Total	\$7,770,000	\$1,359,750	\$9,129,750

Purpose: Renovation and construction of Daniels Run and Providence Elementary Schools.

Principal Amount: Original - \$25,600,000; Refunding - \$11,975,000

Date of Issue: Original - April 1998; Refunding – March 2005

Collateral / Property Interest: N/A

2002 GENERAL OBLIGATION BONDS

Payments During Year

YEAR ENDING JUNE 30	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIREMENT</u>
2013	\$940,000	\$17,625	\$957,625
Total	\$940,000	\$17,625	\$957,625

Purpose: Renovation and construction of City Hall and the new Police Department Building.

Principal Amount: \$20,000,000

Date of Issue: July 2002

Collateral / Property Interest: N/A

2004 GENERAL OBLIGATION SCHOOL BONDS

Payments During Year

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL REQUIREMENT
2013	\$885,000	\$1,347,830	\$2,232,830
2014	920,000	1,312,430	2,232,430
2015	970,000	1,266,430	2,236,430
2016	0	1,231,268	1,231,268
2017	0	1,231,268	1,231,268
2018	0	1,231,268	1,231,268
2019	0	1,231,268	1,231,268
2020	1,215,000	1,231,268	2,446,268
2021	1,265,000	1,181,149	2,446,149
2022	1,320,000	1,128,019	2,448,019
2023	1,375,000	1,071,919	2,446,919
2024	1,435,000	1,012,794	2,447,794
2025	1,500,000	950,013	2,450,013
2026	0	884,388	884,388
2027	0	884,388	884,388
2028	1,725,000	884,388	2,609,388
2029	1,810,000	798,136	2,608,136
2030	1,900,000	707,638	2,607,638
2031	1,995,000	612,638	2,607,638
2032	2,090,000	520,369	2,610,369
2033	2,185,000	423,706	2,608,706
2034	2,285,000	322,650	2,607,650
2035	2,390,000	219,825	2,609,825
2036	<u>2,495,000</u>	<u>112,275</u>	<u>2,607,275</u>
TOTAL	\$29,760,000	\$21,797,319	\$51,557,319

Purpose: Renovation and construction of Fairfax High School and Lanier Middle School. This was the first of two issues.

Principal Amount: \$42,000,000

Date of Issue: December 2004

Collateral / Property Interest: N/A

Note – A portion of this debt has been refinanced since the adoption of the FY 2013 Budget

2005 GENERAL OBLIGATION SCHOOL BONDS

Payments During Year

<u>YEAR ENDING</u> <u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
2013	\$900,000	\$1,326,556	\$2,226,556
2014	940,000	1,288,306	2,228,306
2015	990,000	1,241,306	2,231,306
2016	0	1,191,806	1,191,806
2017	0	1,191,806	1,191,806
2018	0	1,191,806	1,191,806
2019	0	1,191,806	1,191,806
2020	0	1,191,806	1,191,806
2021	0	1,191,806	1,191,806
2022	0	1,191,806	1,191,806
2023	0	1,191,806	1,191,806
2024	0	1,191,806	1,191,806
2025	0	1,191,806	1,191,806
2026	1,615,000	1,191,806	2,806,806
2027	1,685,000	1,119,131	2,804,131
2028	1,765,000	1,041,200	2,806,200
2029	1,845,000	957,363	2,802,363
2030	1,935,000	869,725	2,804,725
2031	2,025,000	777,813	2,802,813
2032	2,125,000	681,625	2,806,625
2033	2,225,000	580,688	2,805,688
2034	2,330,000	475,000	2,805,000
2035	2,440,000	364,325	2,804,325
2036	2,555,000	248,425	2,803,425
2037	<u>2,675,000</u>	<u>127,063</u>	<u>2,802,063</u>
TOTAL	\$28,050,000	\$24,208,394	\$52,258,394

Purpose: Renovation and construction of Fairfax High School and Lanier Middle School. This was the second of two issues.

Principal Amount: \$44,800,000

Date of Issue: November 2005

Collateral / Property Interest: N/A

Note – A portion of this debt has been refinanced since the adoption of the FY 2013 Budget

FY 2013 Adopted Budget – City of Fairfax, Virginia

General Obligation Refunding Bonds, Series 2010
(2002 General Obligation Bonds)**Payments During Year**

YEAR ENDING			TOTAL
JUNE 30	PRINCIPAL	INTEREST	REQUIREMENT
2013	\$40,700	\$455,974	\$496,674
2014	397,750	452,087	849,837
2015	407,000	442,502	849,502
2016	1,189,550	409,387	1,598,937
2017	1,237,650	368,756	1,606,406
2018	1,270,950	335,548	1,606,498
2019	1,302,400	300,126	1,602,526
2020	895,400	258,205	1,153,605
2021	941,650	212,278	1,153,928
2022	978,650	174,057	1,152,707
2023	1,017,500	133,940	1,151,440
2024	510,600	95,738	606,338
2025	538,350	69,514	607,864
2026	547,600	42,365	589,965
2027	573,500	14,338	587,838
Total	\$11,849,250	\$3,764,812	\$15,614,062

Purpose: Renovation and construction of City Hall and the new Police Department Building.

Principal Amount: Original - \$20,000,000; Refunding - \$12,017,600

Date of Issue: Original – July 2002; Refunding – March 2010

Collateral / Property Interest: N/A

FY 2013 Adopted Budget – City of Fairfax, Virginia

General Obligation Refunding Bonds, Series 2010
(2004 & 2005 School Bonds)**Payments During Year**

YEAR ENDING			TOTAL
<u>JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>REQUIREMENT</u>
2013	\$69,300	\$776,388	\$845,688
2014	677,250	769,769	1,447,019
2015	693,000	753,449	1,446,449
2016	2,025,450	697,064	2,722,514
2017	2,107,350	627,882	2,735,232
2018	2,164,050	571,339	2,735,389
2019	2,217,600	511,025	2,728,625
2020	1,524,600	439,646	1,964,246
2021	1,603,350	361,447	1,964,797
2022	1,666,350	296,368	1,962,718
2023	1,732,500	228,060	1,960,560
2024	869,400	163,013	1,032,413
2025	916,650	118,361	1,035,011
2026	932,400	72,135	1,004,535
2027	<u>976,500</u>	<u>24,413</u>	<u>1,000,913</u>
Total	\$20,175,750	\$6,410,356	\$26,586,106

Purpose: Renovation and construction of Fairfax High School and Lanier Middle School.

Principal Amount: Original - \$42,000,000 & \$44,800,000; Refunding - \$20,462,400

Date of Issue: Original – December 2004 & November 2005; Refunding – March 2010

Collateral / Property Interest: N/A

FY 2013 Adopted Budget – City of Fairfax, Virginia

General Fund Capital Lease Schedule
Consolidated Capital Lease Payment Requirements

Payments During Year

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	\$3,522,146	\$2,469,275	\$5,991,422
2014	7,686,927	2,246,009	9,932,936
2015	2,652,300	2,022,178	4,674,478
2016	1,831,000	1,957,453	3,788,453
2017	1,911,100	1,880,722	3,791,822
2018	1,991,400	1,800,492	3,791,892
2019	4,967,300	1,767,915	6,735,215
2020	5,945,000	1,497,253	7,442,253
2021	1,290,000	1,374,725	2,664,725
2022	1,355,000	1,310,225	2,665,225
2023	1,425,000	1,242,475	2,667,475
2024	1,495,000	1,171,225	2,666,225
2025	1,570,000	1,096,475	2,666,475
2026	1,635,000	1,029,750	2,664,750
2027	1,720,000	948,000	2,668,000
2028	1,805,000	862,000	2,667,000
2029	1,895,000	771,750	2,666,750
2030	1,990,000	677,000	2,667,000
2031	2,090,000	577,500	2,667,500
2032	2,195,000	473,000	2,668,000
2033	2,305,000	363,250	2,668,250
2034	2,420,000	248,000	2,668,000
2035	<u>2,540,000</u>	<u>127,000</u>	<u>2,667,000</u>
Total	\$58,237,173	\$27,913,672	\$86,150,846

Note – This schedule consolidates schedules found on pages J-14 through J-19.

Capital Lease Turf Agreement

Payments During Year

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	<u>\$104,446</u>	<u>\$3,893</u>	<u>\$108,340</u>
Total	\$104,446	\$3,893	\$108,340

Purpose: Installation of a synthetic turf field at Fairfax High School Stadium Field.

Principal Amount: \$711,430

Date of Issue: February 2005

Collateral / Property Interest: Fairfax High School Stadium Field.

Outside Support:

Fairfax Police Youth Club (FPYC) –
\$21,000 annually, for a period of eight years.

City of Fairfax School Board –
\$20,000 annually, for a period of eight years.

COPs Refunding Series A

Open Space

Payments During Year

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	\$1,756,000	\$50,489	\$1,806,489
2014	1,778,000	28,118	1,806,118
2015	<u>880,000</u>	<u>5,588</u>	<u>885,588</u>
Total	\$4,414,000	\$84,195	\$4,498,195

Purpose: Acquisition and development of Open Space Properties - Jester Property, Stafford Property, and Ashby Pond Conservatory site (Conard Property).

Principal Amount: \$6,167,000

Date of Issue: April 2011

Collateral / Property Interest: Stafford Property, Jester Property, Ted Greffe Park, Ashby Pond Conservatory site (Conard Property), Blenheim Property, and the former Weight Watchers building site.

COPS Refunding Series B
Ball Fields

Payments During Year

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	\$262,700	\$150,632	\$413,332
2014	271,000	142,425	413,425
2015	279,300	133,960	413,260
2016	288,000	125,234	413,234
2017	297,100	116,236	413,336
2018	306,400	106,953	413,353
2019	<u>3,220,300</u>	<u>137,101</u>	<u>3,357,401</u>
Total	\$4,924,800	\$912,542	\$5,837,342

Purpose: Development of ball fields and other amenities at the Stafford Property, Draper Drive Park, Providence Park and Providence Elementary School.

Principal Amount: \$5,164,800

Date of Issue: April 2011

Collateral / Property Interest: Stafford Property, Jester Property, Ted Greffe Park, Ashby Pond Conservatory site (Conard Property), Blenheim Property, and the former Weight Watchers building site.

COPS Refunding Series C
Schools/Transportation

Payments During Year

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	\$459,000	\$251,689	\$710,689
2014	473,000	237,367	710,367
2015	488,000	222,580	710,580
2016	503,000	207,344	710,344
2017	519,000	191,611	710,611
2018	535,000	175,414	710,414
2019	552,000	158,689	710,689
2020	<u>4,705,000</u>	<u>72,928</u>	<u>4,777,928</u>
Total	\$8,234,000	\$1,517,621	\$9,751,621

Purpose: Additional financing to cover the estimated funding shortfall associated with the renovation and construction of Lanier Middle School.

Principal Amount: \$8,574,000

Date of Issue: May 2011

Collateral / Property Interest: Westmore Elementary School.

FY 2013 Adopted Budget – City of Fairfax, Virginia

Library and Downtown Financing**Payments During Year**

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
FY 2013	\$940,000	\$1,724,724	\$2,664,724
FY 2014	975,000	1,694,175	2,669,175
FY 2015	1,005,000	1,660,050	2,665,050
FY 2016	1,040,000	1,624,876	2,664,876
FY 2017	1,095,000	1,572,875	2,667,875
FY 2018	1,150,000	1,518,125	2,668,125
FY 2019	1,195,000	1,472,125	2,667,125
FY 2020	1,240,000	1,424,325	2,664,325
FY 2021	1,290,000	1,374,725	2,664,725
FY 2022	1,355,000	1,310,225	2,665,225
FY 2023	1,425,000	1,242,475	2,667,475
FY 2024	1,495,000	1,171,225	2,666,225
FY 2025	1,570,000	1,096,475	2,666,475
FY 2026	1,635,000	1,029,750	2,664,750
FY 2027	1,720,000	948,000	2,668,000
FY 2028	1,805,000	862,000	2,667,000
FY 2029	1,895,000	771,750	2,666,750
FY 2030	1,990,000	677,000	2,667,000
FY 2031	2,090,000	577,500	2,667,500
FY 2032	2,195,000	473,000	2,668,000
FY 2033	2,305,000	363,250	2,668,250
FY 2034	2,420,000	248,000	2,668,000
FY 2035	<u>2,540,000</u>	<u>127,000</u>	<u>2,667,000</u>
TOTAL	\$36,370,000	\$24,963,650	\$61,333,650

Purpose: Construction of a new City Library; road improvements and the undergrounding of utilities in Old Town.

Principal Amount: \$39,630,000 (Library - \$22,940,000; Downtown - \$16,690,000)

Date of Issue: July 2005

Collateral / Property Interest: City Hall and Property Yard.

Outside Support: Annual debt service cost relating to the financing of the new library is funded through a support agreement with the County of Fairfax.

Note – This debt has been refinanced since the adoption of the FY 2013 Budget.

FY 2013 Adopted Budget – City of Fairfax, Virginia

Acquisition of the Eleven Oaks Property

Payments During Year

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	\$0	\$287,848	\$287,848
2014	<u>4,189,927</u>	<u>143,924</u>	<u>4,333,851</u>
Total	\$4,189,927	\$431,772	\$4,621,699

Purpose: Acquisition of the Eleven Oaks Property to be used for construction of a street and economic development purposes.

Principal Amount: \$4,210,000

Date of Issue: July 2007

Collateral / Property Interest: Eleven Oaks Property

Note – This debt has been refinanced since the adoption of the FY 2013 Budget

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